

Promotion of Effective Corporate Governance

Corporate Governance Initiatives

Penta-Ocean Construction Group has built a unique corporate governance system to ensure sound, transparent and effective compliance management, as well as to secure the sustainable growth and development of the Company. Moreover, we are continuously “strengthening audits and audit functions (e.g. audits by auditors, internal audits and accounting audits)” relating to corporate management as our most important measure in order to enhance this system.

Corporate Governance System

1 Management and Business Execution

Our company’s board of directors is composed of 10 directors, including three external ones, and operates in accordance with the laws, regulations, articles of incorporation, in-house rules, and Penta-Ocean Construction Corporate Governance Guidelines. In principle, a meeting of the board of directors is held twice a month, to make decisions on important management issues and supervise business operation. In addition, we adopted a system of executive officers, in order to clarify the responsibility for business execution.

Nomination of candidates for executive positions and proposals for executive compensation are made by the Board of Directors after consultation with the Nominating Committee, which is chaired by an outside Member of the Board. The Nominating Committee is composed of all external Members of the Board and a small number of other Members of the Board, not exceeding a majority. We have introduced a performance-based evaluation system for executive compensation.

We have established the Board of Auditors, which is composed of four auditors including three external auditors. In addition to attending the Board of Directors’ Meetings, the auditors also actively participate in important meetings in the Company (e.g. Executive Board Meetings, Group Management Meetings) and monitor the execution of duties of Members of the Board. We believe that such a corporate governance system enables fair, transparent business administration.

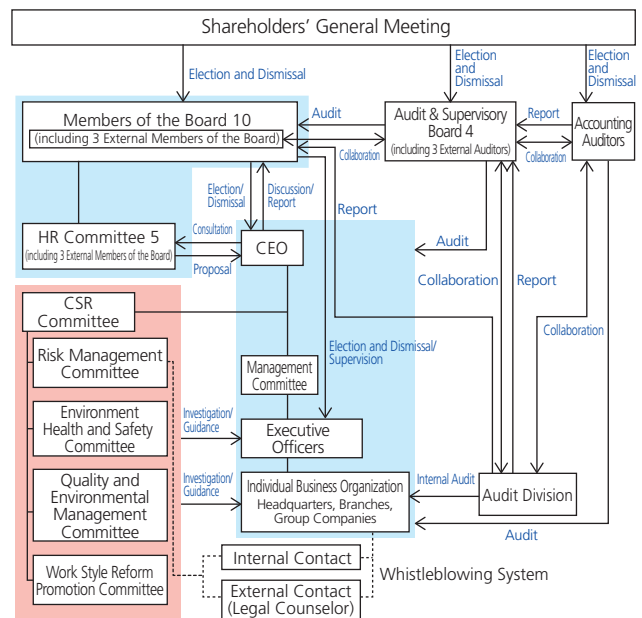
2 Internal Control and Risk Management

In order to ensure thorough risk management, legal compliance, and proper and efficient business operations, the Board of Directors has formulated a basic internal control policy and has established an internal control system.

The status of establishment and implementation of the Internal Control System is annually reviewed by the Board of Directors. The Risk Management Committee that was established in our

Headquarters has formulated a Basic Risk Management Policy and each business unit implements compliance measures including training in accordance with the committee’s policy. We are working to prevent risk and minimize corporate losses associated with various risks that occur in company’s continuing business activities (e.g. financial risks, construction risks and business continuity plan risks) not limited to compliance risks.

Corporate Governance System



Establishment of Corporate Governance Guidelines

Our company has established the “Penta-Ocean Construction Corporate Governance Guidelines”, as its basic stance for corporate governance and management guidelines. Following the revision of Corporate Governance Code in June 2018, we expanded and revised the guidelines on June 25, 2019.

1 Objectives

Penta-Ocean Construction makes CSR-oriented management a priority in its corporate philosophy. Pursuant to our corporate creed that “our greatest contribution to society is the construction of superior infrastructure,” we have set high goals to offer high-quality workmanship backed by advanced technologies developed with high regard to safety and ecological considerations. We strive to achieve sustainable growth and to further enhance our corporate values in order to grow into an even more attractive corporation in the eyes of our various stakeholders.

To achieve this goal, we have decided to place a greater emphasis on enhancing corporate governance, and have established the Penta-Ocean Construction Corporate Governance Guidelines as a

set of basic policies and guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

2 Structure of the Corporate Governance Guidelines

- Ensuring shareholders’ rights and equality
- Proper cooperation with stakeholders other than shareholders
- Appropriate information disclosure and transparency
- Duties of the Board of Directors
- Dialogue with shareholders

Compliance Initiatives

Our Group has established Risk Management Committees in each company of the Group in accordance with the “Basic Compliance Policy”, ensuring that all employees and executives of the entire Group comply with laws and regulations, respect social norms and corporate ethics, and act with integrity at all times.

Basic Compliance Policy

All of our group employees and executives shall observe the laws and regulations in their business activities and respect social norms and ethics, and also act with integrity at all times. In particular, when bidding for construction projects, we will practice fair and free competition by observing the Antitrust Act and all other relevant laws and regulations.

Compliance Promotion Initiatives

We are continuously working so that our employees and executives to appropriately comply with the complex laws surrounding them even in the midst of daily work pressure through various in-house training courses and dissemination of information on the Group Intranet.

Compliance Training

We provide compliance training to ensure that all employees and executives of the entire Group comply with the laws and regulations, respect social norms and corporate ethics, and act with integrity at all times. In FY 3/19, a total of 11,153 executives and employees took part in the training and e-learning by type of occupation and position.

In the International Business Unit, group training was held in Singapore and Hong Kong, and other Southeast Asia and Africa, etc., attended by 152 Japanese and 1,759 non-Japanese employees.

In Japan, group training was provided for technical and sales staff by type of occupation and position, from new employees to management level employees. The group training included discussion sessions, which allowed attendees to have better understanding of the themes. In addition, we incorporated the latest examples in the e-learning for all

staff, and we believe that attendees were able to recognize anew that it is important not to involve or violate the laws and regulations.

In the International Business Unit, we conducted harassment training to Japanese and non-Japanese employees under the theme of respect for diversity, in addition to “Competition Act (Antitrust Act),” “Bribery,” “Engineering ethics,” and “Unauthorized use of software.”



Risk Management Initiatives

Penta-Ocean Construction Group appropriately and continuously manages various risks that are assumed to occur in the course of its business, such as making efforts to prevent the occurrence of such risks and to minimize losses caused by the risks, which may affect the entire group management.

Risk Management Structure

In April 2008, our company established the “Risk Management Committee” with the aim of comprehensively managing the occurrence of risks. The Committee has taken the lead in managing various risks, such as compliance risks, information risks, business continuity plan (BCP), and large-scale disaster risks, etc., which the Committee inculcate, and has nominated a department in charge of risk management for each risk category.

Furthermore, in April 2010, our group introduced the concept of group risk management to strengthen risk management of the Group companies.

By identifying and classifying risks in advance, we have established Risk Management System that enables us to promptly respond according to the type of risk that actually arises. As a result, we will be able to minimize the damage caused by risks, even in the event of unexpected risks. By reviewing the results of our efforts to deal with the risks, we will be aware of and prepared for new risks.

Information Security Management

In recent years, there has been a steady stream of information-related incidents and accidents, including a leak of personal and other confidential information. As such an incident or accident occurs, the company will suffer immeasurable damage as well as shoulder grave social responsibility. Thus, the company is required to control information appropriately. Furthermore, in the current information society, the company is required to make

arrangements and responses based on the information systems environment (electronic bidding, electronic delivery, e-commerce, etc.). After establishing the Information Management System in 2004, we have been reviewing and enhancing the system periodically. Also, by leveraging common groupware, we not only take physical measures for information systems equipment, but also strive to improve the information management technology through providing training such as e-learning information education for all employees and executives (twice a year) and job-specific training.

2003	Issuance of the “Information Management Criteria” regarding the handling of information systems
2004	Introduction of the “Information Management System”
2005	Full implementation of “Personal Information Protection Act” Start of Business Continuity Plan (BCP) activities Signing of the “Confidentiality Agreement” with all business partners
2006	Implementation of internal audit concerning information security Establishment of a Security Policy for six affiliated companies
2008	Implementation of self-check for Information Security
2012	Smart device deployment and revision of the Security Policy
2016	Revision in line with “My Number” System Review of information on Security Policy in accordance with groupware migration
2017	Revision and establishment of Security Policy for 10 affiliated companies